

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF WASHINGTON
AT SPOKANE/YAKIMA

In re:

ALLEN C. LOUN and MICHELLE E. LOUN,

Debtors

FRONTIER BANK, a Washington banking
corporation

v.

Plaintiff,

ALLEN C. LOUN and MICHELLE E. LOUN,

Defendants.

Chapter 7 No. 07-01632-FLK7

Adversary No.

COMPLAINT OBJECTING TO
DISCHARGEABILITY OF DEBT

COMES NOW Plaintiff, Frontier Bank, by and through its undersigned attorney-of-record,
and for cause of action against the Defendants, and each of them, alleges and states as follows:

I. PARTIES AND VENUE

1.1 Plaintiff Frontier Bank is a Washington banking corporation licensed to do business in
the State of Washington with all fees and licenses paid.

1.2 Defendants Allen C. Loun and Michelle E. Loun filed a Chapter 7 bankruptcy petition
on May 16, 2007.

1.3 Jurisdiction is vested in this proceeding pursuant to 28 U.S.C. §157, §1334 and 11
U.S.C. §523, and is a core matter.

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1.4 Plaintiff is a creditor in the above referenced Chapter 7 proceeding.

II. CAUSE OF ACTION

2.1 On or about March 30, 2006, Defendant Allen C. Loun on behalf of Innerspace Floor Coverings, Inc. executed a Promissory Note in favor of Plaintiff Frontier Bank in the original principal amount of \$350,000.00, together with interest at a variable rate which was initially 9.75% per annum. The Note has been renamed on several occasions

2.2 On or about March 30, 2006 and March 30, 2007, Defendant Allen C. Loun on behalf of Innerspace Floor Coverings, Inc. executed a Commercial Security Agreement in favor of Plaintiff Frontier Bank, granting the Bank a security interest in all inventory, accounts, equipment, and general intangibles. The Commercial Security Agreement dated March 30, 2007 is attached hereto as Exhibit "A" and incorporated herein under this reference.

2.3 Defendant Alan Loun executed an Unconditional Guaranty guaranteeing payment to Lender of all sums owing under the Promissory Note. A copy of the Unconditional Guaranty is attached hereto as Exhibit "B" and incorporated herein under this reference.

2.4 The loan is presently due and payable in the principal amount of \$350,000.00 together with accrued interest, late fees and attorneys' fees and costs with default interest and late fees continuing to accrue through the date of judgment herein.

2.5 Defendants have converted, transferred, conveyed or otherwise disposed of the proceeds of Innerspace Floor Coverings, Inc.'s accounts and other assets pledged as collateral to Frontier Bank in knowing and intentional violation of the Bank's security interests. The Defendants' actions constitute willful and malicious injury to the interests of Frontier Bank.

2.6 Frontier Bank has been damaged by the Defendants' willful and malicious conduct in an amount to be established at trial. These damages constitute an indebtedness which is non-dischargeable under 11 U.S.C. §523(a)(6).

WHEREFORE, Plaintiff Frontier Bank prays for relief as follows:

1. For a monetary judgment against the Defendants in an amount to be established at trial;

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2. For an order determining that the above referenced judgment is non-dischargeable
under 11 U.S.C. §523(a)(6);

DATED this 28th day of August, 2007.

3. For an order awarding Frontier Bank's recovery of attorneys' fees and costs incurred
herein; and
4. For such other and further relief as the Court deems just and equitable.

WEINSTEIN & RILEY, P.S.

By: /s/David R. Riley
David R. Riley WSB#12057
Attorneys for Plaintiff Frontier Bank

COMPLAINT OBJECTING TO DISCHARGEABILITY OF
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